

## **Types of Plans - 3121 Plan (Employees/Participants)**

### **3121 Plan Overview**

#### **Who Is Offering The San Diego County Schools FBC 3121 Plan?**

It is a partnership between San Diego County Board of Education Fringe Benefits Consortium, National Benefit Services, Inc. and First Mercantile Trust. The Plan is designed to allow the District to send the employee Social Security contribution to an investment account for the benefit of the employee. This is only available for part-time, temporary and seasonal employees.

#### **How the 3121 Plan Came About**

The Omnibus Budget Reconciliation Act of 1990 (OBRA) Amended the Internal Revenue Code and the Social Security Act to include employees of state and local governments. The Act authorized the Secretary of the Treasury to adopt regulations and provide guidance to the Internal Revenue Service and Social Security Administration. The Act amended Internal Revenue Code Section 3121, under which Social Security participation became mandatory for all employers.

However, the Internal Revenue Code Section 3121 says that part-time, temporary, and seasonal (PTS) employees are exempt from the 3121 tax if they are provided a "comparable retirement system". In response, the 3121 Plan was created to meet those requirements. This alternative provides a retirement plan for PTS employees who are not normally covered like full time employees. The adoption of the 3121 Plan provides an economic benefit for the employer and their PTS employees.

#### **How The 3121 Plan Benefits The Employee**

##### *Social Security Costs*

Without the 3121 Plan, the employee must pay 6.2% into Social Security and the employer must also contribute 6.2% of pay.

##### *Employee Account*

The employee will now contribute 3.75% (instead of 6.2%), and the District will contribute 3.75% to the employee account. The account earns interest, and the total account is paid which is credited to the employee upon termination.

##### **Employee Benefits**

- Interest earnings are credited to employee
- 24/7 access to account info by calling (800) 754-9080 & by accessing the website [www.yourinvestmentaccount.com](http://www.yourinvestmentaccount.com)
- 24/7 access to information regarding the 3121 plan by accessing the web site [www.fbcetire.com/3121](http://www.fbcetire.com/3121)
- Annual statement mailed to residence
- No front end sales charge
- No back end surrender charge
- Money available to withdraw on termination
- May keep plan if school site changes
- No 10% premature distribution tax
- Rollover options to IRA or STRS
- 100% vested in account